

Landlords, Tenants Learn to Manage Lease Agreements

The Situation

High crop prices enhance profitability in farming, leading to changes in rental arrangements and causing conflict between landlords and tenants. Crop-price volatility and potentially lower prices due to a good 2013 crop have led to a situation where rental rates may be peaking. Much of the state's agricultural land is leased — more than 80% of members in the Kansas Farm Management Association rent land. With the increased risk associated with volatile commodity prices and input costs, developing mutually beneficial relationships between landowners and tenants is complicated and important.

Public Value

Volatile crop prices lead to increased risk, which needs to be appropriately shared between landlords and tenants. Inequitable lease agreements may lead to less-than-optimal use of the land, fertilizer, pesticides, or cropping systems. Environmental impacts may include overuse of cropland or pasture, leading to erosion or other negative outcomes.

Equitable leases promote increased efficiency in using land and other assets. Disparities in landlord/tenant information can lead to inequitable leases. Information for landlords and tenants provides a framework for negotiating equitable leases, allowing better allocation of land and other resources. Shared information not only helps landlords and tenants, it also benefits lenders and input suppliers, while promoting environmental stewardship.

What We Did

K-State Research and Extension offered a series of seven lease workshops. In addition, a variety of other meetings to provide leasing education were held across the state, including Ag Profitability Conferences, county meetings, and industry-sponsored programs. Media used included the *AgManager.info* website, as well as print, radio, and television interviews. In addition, we conducted professional development for local agriculture and natural resources agents.

Outcomes

Skills developed by nearly 200 participants in the lease education workshops included an increased understanding of: types of leases (cash, share, flex), equitable lease development, ethics of leasing for landlords and tenants, and K-State decision-making tools. Applying these principles ensures mutually beneficial relationships and helps sustain long-term profitability and efficient use of land and other resources.

More than 21,000 visits to the top seven papers and tools on leasing on the *AgManager.info* site were logged, with more than 18,500 downloads of presentations from lease meetings. In addition, more than 900 individuals learned directly through meetings and webinars.

Success Story

A KSU-Lease spreadsheet developed by K-State agricultural economists was demonstrated in the lease workshops. Using it, a south-central Kansas agent with long-term experience in leasing issues helped out-of-state landowners and a local tenant settle on a cash rent agreement.

The agent suggested that the landlords come to Kansas to meet at the farm with the tenants. The

agent helped all of them understand the spreadsheet so they could trust the numbers. The spreadsheet made it simple to follow the math, and the tenant agreed to pay the increased rent. The landowners, who got to know the tenant better, were surprised at the difference in land rents in south-central Kansas as compared to their home regions. The agent left both parties with the message that they had to stay engaged with the arrangement because commodity prices change rapidly and affect both parties.

The bottom line: The landowners kept their tenant, developed a better relationship, increased the rent revenue, and chose to stay in the business of raising crops, versus selling and walking away.

Contacts

Mykel Taylor
Agricultural Economist
331C Waters Hall
Manhattan, KS 66506
785-532-3033
mtaylor@ksu.edu

Kevin Dhuyvetter
Agricultural Economist
307 Waters Hall
Manhattan, KS 66506
785-532-3527
kcd@ksu.edu

Rich Llewelyn
Agricultural Economist
303 Waters Hall
Manhattan, KS 66506
785-532-1504
rwl@ksu.edu